

Growing - with a Dark (Delta) Cloud on the Horizon

North Carolina's establishment employment grew by 41,900 jobs from May 2021 to June 2021 (see Figure 1). This was the strongest monthly growth (at an 11.9 percent annual rate) since August 2020. In fact, this was the fifth strongest monthly job climb during the 14-month pandemic recovery that began in May 2020.

Table 1 (on the next page) provides an overview of the sectorial changes in North Carolina. Eight sectors grew relatively faster than the statewide average over the month. Two of the sectors (Professional, Scientific, and Technical; Information) have already recovered their lost jobs. The remaining six sectors (Wholesale Trade; Accommodation & food services; Real Estate and Rental Leasing; Educational services; Local government; Arts, Entertainment and Recreation) have yet to achieve their pre-pandemic job totals. The fastest growing sector over the month (Arts, Entertainment and Recreation) remains at the bottom of the recovery list, having only regained 86.4 percent of its February 2020 employment.

Relative to the nation, North Carolina continues to have regained a relatively greater number of jobs during the recovery (see Figure 2). As of June 2021, the State has reclaimed 97.3 percent of its workforce, while the Nation has reclaimed only 95.6 percent of its total number of workers. One must remember, however, that at the height of the downturn the United States establishment employment count dropped 14.7 percent, while the North Carolina decline was smaller (12.4 percent).

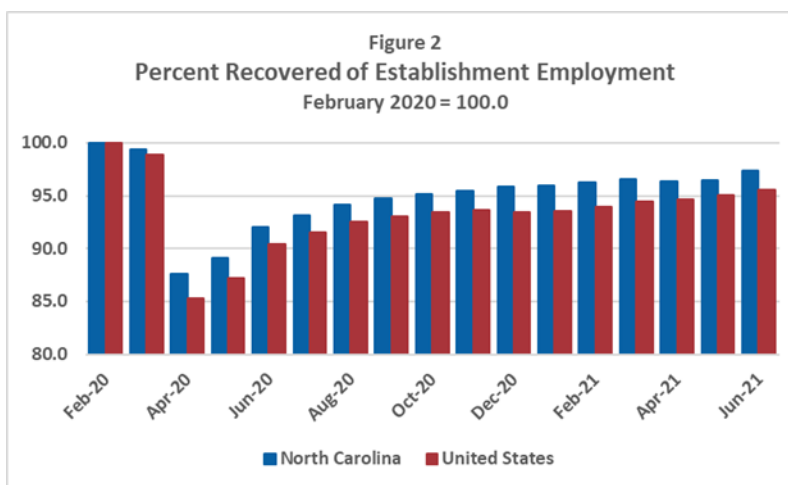
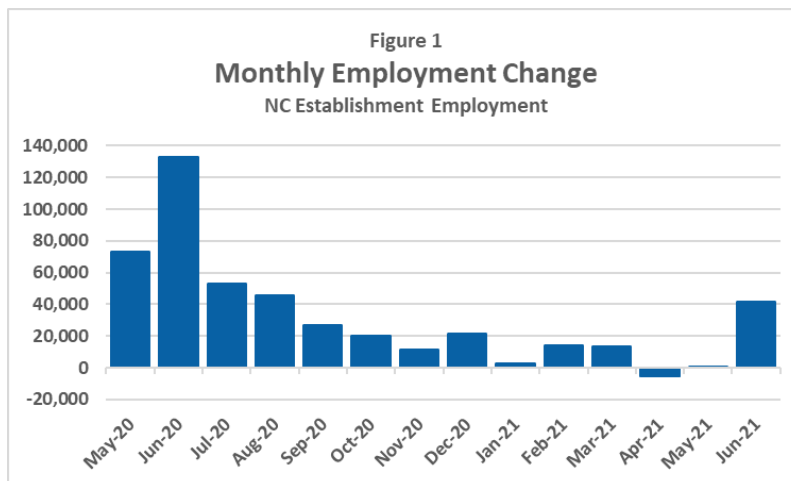


Figure 3 illustrates the bumpy recovery of employment in the nation and State. As mentioned earlier, the June 2020 climb was substantial for North Carolina, being the 5th largest climb since the recession began. It was also the 5th largest climb for the nation, although the relative growth was higher in North Carolina. The nation lost employment in December 2020, but otherwise has consistently gained workers. North Carolina's establishment employment growth turned negative in April 2021 and climbed only slightly in May 2021.

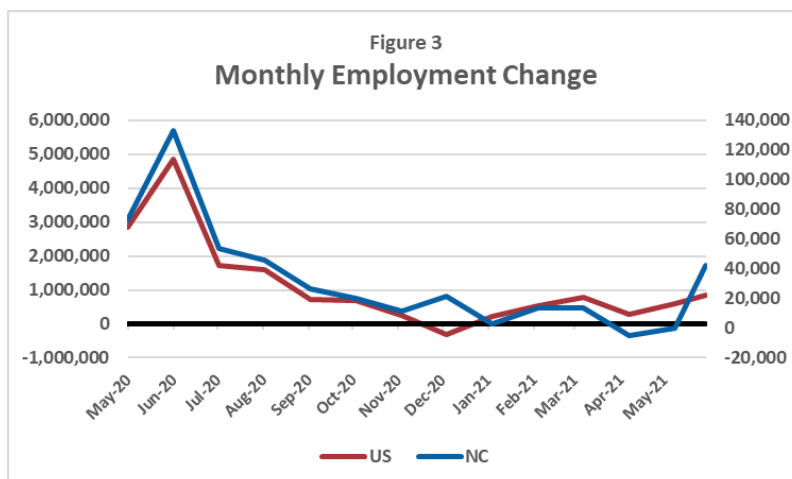


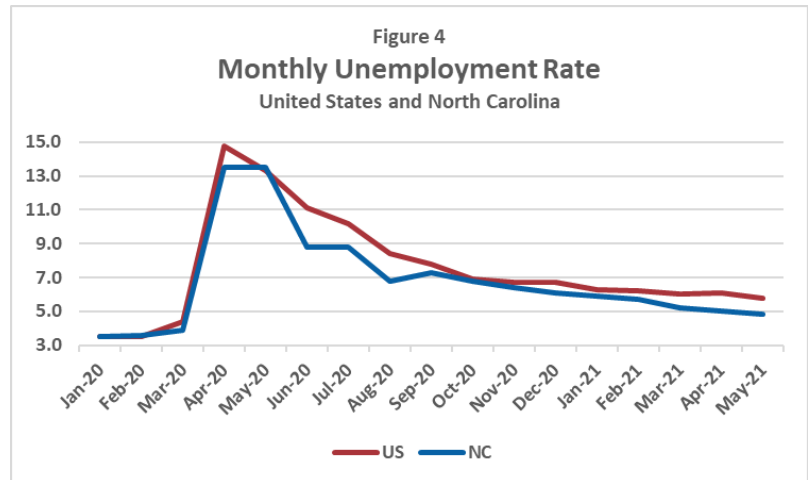
Table 1
North Carolina Establishment Employment
Employment is in Thousands

	Jun-21	May-21	Monthly Change	Monthly Percent Change	Annualized Monthly Percent Change	Percent Recovered*
Total Establishment Employment	4,502.4	4,460.5	41.9	0.9%	11.9%	97.3%
Mining & Logging	5.7	5.7	0.0	0.0%	0.0%	98.3%
Construction	236.5	234.5	2.0	0.9%	10.7%	100.3%
Manufacturing Durable goods	247.8	247.5	0.3	0.1%	1.5%	96.3%
Manufacturing Non Durable Goods	216.6	215.2	1.4	0.7%	8.1%	99.6%
Wholesale Trade	186.4	184.5	1.9	1.0%	13.1%	99.0%
Retail trade	498.5	500.1	-1.6	-0.3%	-3.8%	99.2%
Transportation, Warehouse, and Utilities	180.8	180.5	0.3	0.2%	2.0%	109.0%
Information	78.6	77.7	0.9	1.2%	14.8%	103.1%
Finance and insurance	199.0	198.0	1.0	0.5%	6.2%	101.9%
Real Estate and Rental Leasing	60.5	59.8	0.7	1.2%	15.0%	96.6%
Professional, Scientific and Technical	286.1	278.0	8.1	2.9%	41.1%	106.4%
Management of Companies	81.8	81.9	-0.1	-0.1%	-1.5%	96.0%
Administrative & Waste Management	294.5	297.8	-3.3	-1.1%	-12.5%	97.2%
Educational services	90.9	88.4	2.5	2.8%	39.7%	91.9%
Health Care and Social Services	509.7	510.4	-0.7	-0.1%	-1.6%	95.6%
Arts, Entertainment and Recreation	66.7	63.8	2.9	4.5%	70.5%	86.4%
Accommodation & food services	396.1	391.7	4.4	1.1%	14.3%	89.0%
Other services	156.1	154.7	1.4	0.9%	11.4%	92.1%
Federal Government	75.4	75.5	-0.1	-0.1%	-1.6%	100.5%
State government	185.2	184.5	0.7	0.4%	4.6%	89.8%
Local government	449.5	430.3	19.2	4.5%	68.8%	98.4%

* Percent Recovered in relation to February 2020. This month was the peak of the recent business cycle and the month before the pandemic began adversely affecting the economy.

North Carolina's June 2021 labor force data improved over the month and over the year. The number of employed workers climbed by 12,600 from May 2021 to June 2021 while the number of unemployed dropped by 8,400. These changes were sufficient to produce a slight increase in the overall labor force and helped push the unemployment rate down from 4.8 percent to 4.6 percent. Compared to June 2020, there are 365,000 more working North Carolinians and the unemployment rate is 4.2 percentage points lower (8.8 percent in June 2020).

Still, return to pre-pandemic unemployment would require the unemployment rate to drop by another percentage point, putting approximately 152,000 additional workers on payrolls. The past eighteen months of unemployment rates for the US and North Carolina are presented in Figure 4 - helping to demonstrate how far the economy has come during the past year and the progress we still need to make.



Officially a (Short but Intense) Recession

On July 19, the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) determined that a trough in monthly economic activity occurred in the US economy in April 2020. Since the previous peak in economic activity occurred in February 2020, the official recession lasted only two months, which makes it the shortest US recession on record.

The determination by the NBER dating committee reflects the pandemic's impact on several high-level economic measures, including employment, income, and industrial production. However, the short duration of the official recession does not suggest that the economy had returned to normal by the end of April 2020. As the committee pointed out, the economic pain of a recession endures beyond the end of the trough and economic activity typically remains below the pre-recession levels in the early stages of an expansion.¹

For example, during the 18 month Great Recession (January 2008 to June 2009), the peak downturn in North Carolina's employment was not realized until February 2010 (a drop of 335,900 or 8.1 percent). The complete recovery of the recession's lost jobs did not materialize until November 2014. This date was five years and five months after the official end of the Great Recession.

The fact that North Carolina's employment has not recovered to its pre-pandemic high is not unexpected. Figure 5 provides a graphical comparison of the job losses associated with the two

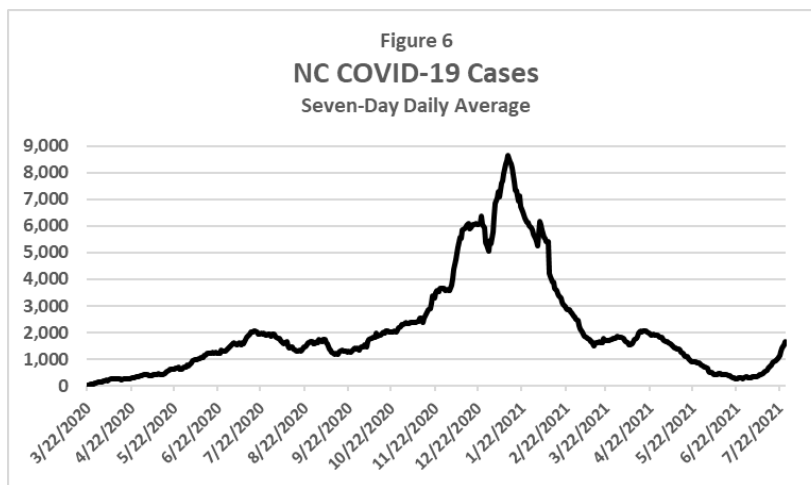
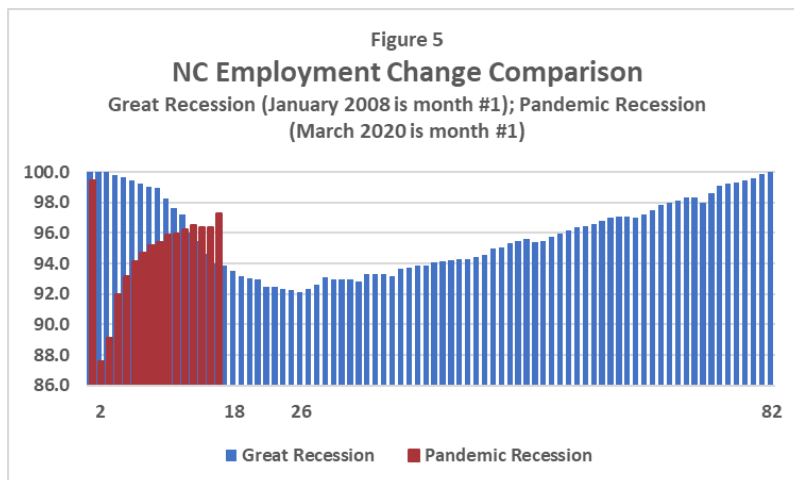
¹ <https://www.nber.org/news/business-cycle-dating-committee-announcement-july-19-2021>

recessions. Even though the recent peak job loss (575,200 or 12.4 percent in April 2020) was much more severe than the great recession's peak, job recovery has occurred more quickly - so far.

The 18-month Great Recession did not see its associated low until February 2010 (month # 26). The full recovery in the number of jobs finally occurred in November 2014 (month # 82). The low for working North Carolinians during the recent

pandemic was April 2020 (#2 in the graph). The June 2021 (month #16) spike in employment puts us closer full recovery (97.4 percent recovered).

However, COVID-19 cases are increasing again across the US and North Carolina (Figure 6) despite the availability of several effective vaccines. With the 36th highest vaccination rate in the country (data from the Mayo Clinic), more than half of North Carolina's population remains unprotected from the more contagious and dangerous Delta variant. This increasing caseload, which is now targeting the unvaccinated, is producing a growing risk for another economic slowdown. In fact, if the current increase in COVID-19 cases does induce another economic downturn, the NBER dating committee has already decided that a second pandemic-induced contraction would constitute a new recession.



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